

May 31, 2011

Michigan House Committee on Oversight, Reform and Ethics

Remarks of Jerry Felix, Park Township Manager

Thank you committee members; I greatly appreciate the opportunity to share my thoughts with you today. My thoughts and comments will clearly indicate my fierce opposition to the proposed mandate requiring a 20% public employee contribution toward health care.

I am Jerry Felix, Township Manager for Park Township in Ottawa County. I was born, raised and educated in west Michigan and have spent more than 30 years in Michigan public management, both on the local and the regional level.

I am now the Township Manager for Park Township, in metro-Holland, in Ottawa County. Our recent population count is just under 18,000. We have 13 full time employees and several part timers. We make extensive use of contracts to deliver a wide variety of quality services. Our total budget for FY 2011-2012 will be around \$6.5 million. We managed to finish this past year with a small General Fund surplus and project the same for FY 2011-2012. This didn't happen by accident, of course, but by conservative fiscal policies, good management and the efforts of our employees.

We have a township board with seven members elected by our township residents. They answer to our electors and are responsible to be good stewards of the public funds entrusted to them. If our directly elected representatives here on the township level can justify our current total compensation and workforce levels, how can you justify superimposing your judgment over and above theirs? How will forcing our employees to pay more for their health care help the state to solve its budget deficit? By lumping all public employees into one basket you also denigrate the value of individuals, local elected officials and the fiscal integrity of most local units.

In looking over the landscape of state and local fiscal issues, it is not just health care premiums that caused the state's fiscal house of cards to collapse; it is *total compensation* and the *total number of employees*. In our case, we have less than 1 FTE employee per 1,000 population (around .7). In our case our average wage is less than \$50,000. We don't have built in step increases. We don't have longevity pay or other hidden pay increases. We have modest plans for vacation, sick and holiday time. In our case we have managed well and worked with employees to control *total compensation*. We have been successful and employee morale continues to remain at a high level. Park Township remains fiscally sound.

The efforts of our employees have included a near wage freeze for the past three years, higher health care deductibles and copays, the elimination of retiree health care, and a 12% reduction in full time personnel. Staff research resulted in lowering our overall health care costs by more than 30% and reduced our Post Employee Benefit Liability by more than 90%. Our employees will contribute 5% of the cost of monthly health care premiums this year. Fewer people are doing more with less funding; they are living with less disposable income, and yet they continue to deliver quality services. I am extremely proud of this group!

I would like to make just a couple of other observations:

One: Our group is very small and our options for purchasing health care on the open market are very limited. We believe we currently have the most cost effective plan available to us. Should the 80/20 requirement be put into place, we will consult again with our employees and select the plan most favorable to the township and our employees. It could be, because they would be paying substantially more, that the employees would select a plan that would cost even more than we currently have. “As long as I’m paying, I opt for a more expensive plan.” We end up accomplishing nothing.

Two: I suppose we could end up increasing salaries of our employees so as to not reduce their net compensation. Again, we end up accomplishing nothing because the net effect on the township is zero. I suppose, though, you have transferred the “proverbial buck” to the local elected officials for approving pay increases even though the truth will be that the employees haven’t gained anything.

Three: You might argue that this plan will provide additional township funds to offset a loss of state shared revenues. Park Township has not been a recipient of discretionary revenue sharing therefore any money “saved” from this 80/20 plan will not offset what we haven’t lost. As I mentioned earlier, Park Township has managed very well to control expenses in order to continue to provide quality services over the past several years.

Four: We could perhaps reduce our overall health care costs even more via high deductible health plans (HDHP), having employees contribute to Health Savings Accounts (HSAs). We as a township have not yet gone that way, partially because new rules from the feds for Obama-care indicate that the new HDHP “maximum out of pocket costs” for family care *won’t exceed \$12,100* for 2012. This out of pocket limit does not include the cost of premiums, of course. Under this plan our employees could see out of pocket costs reach more than \$16,000 each and every year. I have employees with net pay of less than \$30,000. Please, don’t do us any favors!

Five: As a local government practitioner, I have many opportunities to address those considering public administration as a career choice. In the past I have always promoted the profession as a noble endeavor, a high calling for the public good. With legislation such as the 80/20, I have a very difficult time delivering that same message. My most recent advice is to seek employment in the private sector or better still, move out of Michigan to somewhere where one’s professional skills and management abilities are appreciated. I am fearful that this type of “steam roller” legislation will drive the best and brightest out of Michigan. That, in my opinion, is too steep a price to pay.

In looking at the financial issues before us, why not invest your valuable time and efforts in examining total compensation and workforce levels, beginning with the State of Michigan? Continue to examine pay rates, retirement, sick days, vacation, longevity pay, step increases *in addition to* the cost of health care. Study closely the number of employees, making adjustments as necessary. I know you will say that you have already done that but the task, on the state level, is not yet complete. *Live within your means*; Park Township has. Once that task is complete,

then you may turn your attention back to Park Township but please don't sell some magic potion to the public with the promise that "all your problems will be solved" if only the township's employees pay more for health care.

Why not, too, spend your time on trying to reduce the overall costs of health care in Michigan? That would be of benefit to all employees and employers in Michigan and greatly help retain and attract business. Consider legislation that would allow local units like Park Township to be members of health care pools or to join with other units to create larger groups?

We need *more options* for health care, *not more restrictions*. We need a hand, not handcuffs!

I have a highly talented and motivated employee group. For many, their job here is the only source of family income. As I mentioned, they have forgone increases and seen their out of pocket costs escalate. They have made conscious decisions regarding total compensation and are content with the current mix of wages and benefits. Please don't upset that balance. Don't interfere where state interference is not warranted and don't cause a drop-off in morale.

How about you stick with managing State expenses and we'll stick to managing the Township's? I think that's a fair deal. I encourage you to oppose this misguided and ill-conceived legislation and continue to look at the source of the State's fiscal problems and seek real solutions.

I sincerely thank you for your time and efforts.

Jerry Felix
Park Township Manager